

AUDITING PROCEDURES REPORT

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Local Government Type (Specify) <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Otisville	County Genesee
Audit Date June 30, 2004	Opinion Date September 2, 2004	Date Accountant Report Submitted to State: October 27, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government* in Michigan as revised.
2. We are certified public accountants registered to practice in Michigan.

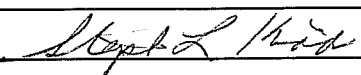
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968 , as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)		Lewis & Knopf, P.C.	
Street Address	5206 Gateway Centre, Suite 100	City	Flint
		State	MI
		Zip	48507
Accountant Signature 			

VILLAGE OF OTISVILLE

OTISVILLE, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

September 2, 2004

INDEPENDENT AUDITOR'S REPORT

To the Village Council
of the Village of Otisville

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Otisville, as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Village of Otisville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Otisville as of June 30, 2004, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2004, on our consideration of the Village of Otisville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of the *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information on pages II - IX and 17 - 18 are not required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Village of Otisville's basic financial statements. The accompanying other supplementary information, as identified in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf PC
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

As management of the Village of Otisville, we offer readers of the Village of Otisville's financial statements this narrative overview and analysis of the financial activities of the Village of Otisville for the fiscal year ended June 30, 2004. In the future, comparative analysis will be provided when prior year information becomes available.

FINANCIAL HIGHLIGHTS

- A. The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$2,240,991 (net assets).
- B. The Village's total net assets decreased by \$91,734 for the fiscal year ended June 30, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Village of Otisville's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reports as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. delinquent personal property taxes).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Fund Financial Statements: (Continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, public improvement fund and special assessment bonds all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for its general fund, public improvement and special assessments bond fund. Budgetary comparison statements have been provided for the operation & maintenance fund and capital fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 3 through 4 of this report.

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its sewer activity.

The proprietary fund financial statements can be found on pages 5 to 7 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 8 through 16 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. The other supplementary information can be found on pages 20 through 31 of this report.

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal year ended June 30, 2004:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets	\$295,379	\$270,909	\$566,288
Noncurrent Assets	<u>67,489</u>	<u>2,037,079</u>	<u>2,104,568</u>
<u>TOTAL ASSETS</u>	<u>\$362,868</u>	<u>\$2,307,988</u>	<u>\$2,670,856</u>
Current Liabilities	\$17,925	\$18,476	\$36,401
Noncurrent Liabilities	<u>96,000</u>	<u>297,464</u>	<u>393,464</u>
Total Liabilities	<u>\$113,925</u>	<u>\$315,940</u>	<u>\$429,865</u>
Net Assets			
Invested in Capital Assets – Net of Debt	(42,511)	1,722,403	1,679,892
Unrestricted	<u>291,454</u>	<u>269,645</u>	<u>561,099</u>
Total Net Assets	<u>\$248,943</u>	<u>\$1,992,048</u>	<u>\$2,240,991</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$362,868</u>	<u>\$2,307,988</u>	<u>\$2,670,856</u>

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2004, the Village's results of operations were:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$67,185	\$194,025	\$261,210
General Revenues:			
Property Taxes	216,908	0	216,908
State Sources	169,061	0	169,061
Investment Earnings	1,711	1,801	3,512
Other	(36,056)	38,508	2,452
Total Revenues	<u>\$418,809</u>	<u>\$234,334</u>	<u>\$653,143</u>
Functions/Program Expenses:			
DDA	49,944	0	49,944
Legislative	27,174	0	27,174
Executive	12,749	0	12,749
Election	713	0	713
General Administration	15,858	0	15,858
Law Enforcement	103,930	0	103,930
Building Inspector	104	0	104
Department of Public Works	117,772	0	117,772
Community Development	253	0	253
Highways, Streets and Bridges	156,419	0	156,419
Village Parks	13,657	0	13,657
Interest on Long-Term Obligations	8,233	0	8,233
Water	0	79,582	79,582
Sewer	0	158,489	158,489
Total Expenses	<u>\$506,806</u>	<u>\$238,071</u>	<u>\$744,877</u>
<u>INCREASE IN NET ASSETS</u>	(\$87,997)	(\$3,737)	(\$91,734)
<u>BEGINNING NET ASSETS</u>	<u>336,940</u>	<u>1,995,785</u>	<u>2,332,725</u>
<u>NET ASSETS - ENDING</u>	<u>\$248,943</u>	<u>\$1,992,048</u>	<u>\$2,240,991</u>

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

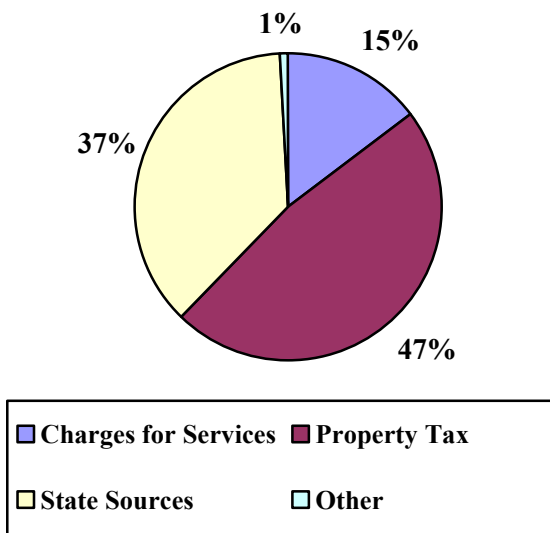
During the year ended June 30, 2004, the Village's Total Net Assets decreased by \$91,734 to a total of \$2,240,991. The largest portion of the net assets are the Village's investment in capital assets. Net assets (invested in capital assets, net of related debt) at the end of the year was \$1,679,892. The Villages Unrestricted Net Assets was \$561,099 at the end of the year. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to pay for government services to residents.

Analysis of Results of Operations

The Village's overall expenditures exceeded its revenue by \$91,734 for the year. Revenues decreased by \$8,064 from last year, primarily from state sources. Expenses increased by \$38,920 from last year from increases in depreciation expense and wages and fringe benefits.

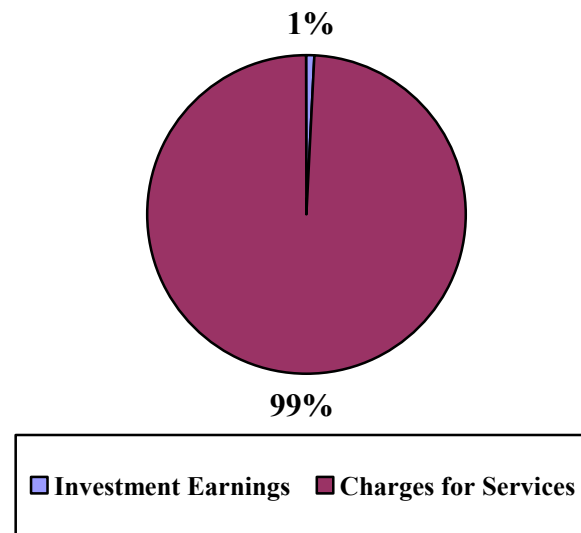
Revenues by Source – Governmental Activities

Total Revenues = \$457,120



Revenues by Source – Business-Type Activities

Total Revenues = \$195,826



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the Village's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The Village's general fund is the chief operating fund of the Village. Unreserved fund balance for the general fund decreased by \$6,850 during the year with the decrease coming primarily from a decrease in cash. Revenues for the year decreased by \$28,157 primarily due to decreases in state sources and charges for services. Expenditures and other financing uses increased by \$11,000, primarily due to increases in purchased services.

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds

Unreserved fund balance for the special revenue fund decreased by \$50,821 during the year with the decrease coming primarily from an decrease in cash. Revenues for the year increased by \$11,000 primarily from a n increase in tax collections and charges for services. Expenditures and other financing uses increased by \$74,000, primarily from increases in highway expenses.

FINANCIAL ANALYSIS OF BUSINESS-TYPE ACTIVITIES

Enterprise fund

Net assets for the enterprise fund decreased by \$3,737 during the year with the decrease coming primarily from a decrease in investment in capital assets, net of related debt. Revenues for the year increased by \$7,000 primarily in charges for services. Expenditures and other financing uses increased by \$7,000, primarily in purchased services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

At the end of fiscal year 2004, the Village had \$4,253,381 invested in land, furniture and equipment, leasehold improvements, and sewer system. Of this amount, \$2,148,813 in depreciation has been taken over the years. We currently have net book value of \$2,104,568. Total acquisitions for the year were \$302,500 and depreciation expense was \$72,883. Significant additions were the construction cost of the water system.

CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)

	Governmental Activities	Business Type Activities	Total
Land	\$2,000	\$110,579	\$112,579
Land Improvements	26,529	0	26,529
Buildings	30,060	0	30,060
Equipment	8,900	0	8,900
Water System	0	373,000	373,000
Sewer System	0	1,553,500	1,553,500
<u>TOTAL</u>	<u>\$67,489</u>	<u>\$2,037,079</u>	<u>\$2,104,568</u>

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Debt, Principal Payments

The Village made principal payments on bonded, long term debt obligations that reduced the amount of the Village's long term liabilities as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>Governmental Activities:</u>				
Bonds Payable	\$123,000	\$0	\$13,000	\$110,000
<u>Business-Type Activities:</u>				
Bonds Payable	\$331,888	\$0	\$17,212	\$314,676

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

GENERAL FUND BUDGET VS. ACTUAL

Fiscal Year	Original Budget	Final Budget	Actual	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenues	\$366,924	\$321,171	\$261,885	14.25	(18.46)
Expenditures	366,924	352,631	268,735	4.05	23.79
<u>TOTAL</u>	<u>\$0</u>	<u>(\$31,460)</u>	<u>(\$6,850)</u>		

Original vs. Final Budgets

Revenues

Budgeted revenues declined due to the reclassification of Village Improvement taxes being recorded in a separate special revenue fund. Other financing uses declined due to the above not being recorded as a transfer to other funds.

Expenditures

Budgeted expenditures increased due to the council approval of increased purchased services and department of public works projects.

Actual Results vs. Final Budgets

Revenues

Significant variances were due to garbage fees and DDA captured taxes being recorded in a separate special revenue fund.

Expenditures

Significant variations in expenditures were due to budgeted capital outlay items not being purchased during the year.

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

SPECIAL REVENUE FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

SPECIAL REVENUE FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenues	\$177,577	\$177,577	\$170,693	0.00	(3.88)
Expenditures	244,192	266,445	221,075	(8.35)	17.03
<u>TOTAL</u>	<u>(\$66,615)</u>	<u>(\$88,868)</u>	<u>(\$50,382)</u>		

Original vs. Final Budgets

Revenues and Expenditures

There were no significant variances between the original and final budgets.

Actual Results vs. Final Budgets

Revenues and Expenditures

Actual revenues were slightly higher in state highway funds and expenditures and other financing uses were less due to the actual cost of DDA and street projects being less than anticipated.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Village's finances. If you have questions about this report or need additional information, contact the Business Office, Village of Otisville.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$269,136	\$253,919	\$523,055
Accounts Receivable	21,490	16,990	38,480
Due from Other Funds	1,264	0	1,264
Prepaid Expenses	3,489	0	3,489
Total Current Assets	<u>\$295,379</u>	<u>\$270,909</u>	<u>\$566,288</u>
<u>NON-CURRENT ASSETS</u>			
Capital Assets	625,302	3,628,079	4,253,381
Less: Accumulated Depreciation	<u>(557,813)</u>	<u>(1,591,000)</u>	<u>(2,148,813)</u>
Total Noncurrent Assets	<u>\$67,489</u>	<u>\$2,037,079</u>	<u>\$2,104,568</u>
<u>TOTAL ASSETS</u>	<u>\$362,868</u>	<u>\$2,307,988</u>	<u>\$2,670,856</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	2,412	0	2,412
Due to Other Funds	0	1,264	1,264
Accrued Expenses	1,513	0	1,513
Current Portion of Long-Term Obligations	14,000	17,212	31,212
Total Current Liabilities	<u>\$17,925</u>	<u>\$18,476</u>	<u>\$36,401</u>
<u>NON-CURRENT LIABILITIES</u>			
Non-Current Portion of Long-Term Obligations	<u>96,000</u>	<u>297,464</u>	<u>393,464</u>
<u>TOTAL LIABILITIES</u>	<u>\$113,925</u>	<u>\$315,940</u>	<u>\$429,865</u>
<u>NET ASSETS</u>			
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	(42,511)	1,722,403	1,679,892
Unrestricted	<u>291,454</u>	<u>269,645</u>	<u>561,099</u>
<u>TOTAL NET ASSETS</u>	<u>\$248,943</u>	<u>\$1,992,048</u>	<u>\$2,240,991</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF ACTIVITIES
JUNE 30, 2004

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
DDA	49,944	\$0	\$0	(\$49,944)	\$0	(\$49,944)
Legislative	27,174	0	0	(27,174)	0	(27,174)
Executive	12,749	0	0	(12,749)	0	(12,749)
Election	713	0	0	(713)	0	(713)
General Administration	15,858	4,567	0	(11,291)	0	(11,291)
Law Enforcement	103,930	2,017	0	(101,913)	0	(101,913)
Building Inspector	104	0	0	(104)	0	(104)
Department of Public Works	117,772	51,828	0	(65,944)	0	(65,944)
Community Development	253	0	0	(253)	0	(253)
Highways, Streets and Sidewalks	156,419	0	0	(156,419)	0	(156,419)
Village Parks	13,657	8,773	0	(4,884)	0	(4,884)
Interest on Long-Term Obligations	8,233	0	0	(8,233)	0	(8,233)
Total Governmental Activities	\$506,806	\$67,185	\$0	(\$439,621)	\$0	(\$439,621)
Business-Type Activities:						
Water	79,582	89,652	0	0	10,070	10,070
Sewer	158,489	104,373	0	0	(54,116)	(54,116)
Total Business-Type Activities	\$238,071	\$194,025	\$0	\$0	(\$44,046)	(\$44,046)
<u>TOTALS</u>	<u>\$744,877</u>	<u>\$261,210</u>	<u>\$0</u>	<u>(\$439,621)</u>	<u>(\$44,046)</u>	<u>(\$483,667)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				216,908	0	216,908
State Sources				169,061	0	169,061
Investment Earnings				1,711	1,801	3,512
Miscellaneous				2,255	197	2,452
Transfers from (to) Other Funds				(38,311)	38,311	0
Total General Revenues and Transfers				\$351,624	\$40,309	\$391,933
Change in Net Assets				(\$87,997)	(\$3,737)	(\$91,734)
Net Assets - Beginning - As Restated				336,940	1,995,785	2,332,725
<u>Net Assets - Ending</u>				<u>\$248,943</u>	<u>\$1,992,048</u>	<u>\$2,240,991</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Special	Other	Total
	Fund	Revenue	Governmental	Governmental
			Funds	Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$77,940	\$181,026	\$10,170	\$269,136
Accounts Receivable	13,207	3,988	4,295	21,490
Due from Other Funds	1,264	74,550	1,740	77,554
Prepaid Expenses	3,489	0	0	3,489
<u>TOTAL ASSETS</u>	<u>\$95,900</u>	<u>\$259,564</u>	<u>\$16,205</u>	<u>\$371,669</u>
<u>LIABILITIES</u>				
Accounts Payable	\$2,412	\$0	\$0	\$2,412
Due to Other Funds	74,550	1,740	0	76,290
Total Liabilities	\$76,962	\$1,740	\$0	\$78,702
<u>FUND BALANCES</u>				
Designated	18,890	12,785	4,447	36,122
Unreserved	48	245,039	11,758	256,845
Total Fund Balances	<u>\$18,938</u>	<u>\$257,824</u>	<u>\$16,205</u>	<u>\$292,967</u>
<u>TOTAL LIABILITIES AND</u> <u>FUND BALANCES</u>	<u>\$95,900</u>	<u>\$259,564</u>	<u>\$16,205</u>	<u>\$371,669</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances:	\$292,967
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$623,302 and the accumulated depreciation is \$557,813	67,489
Accrued Interest on Long-Term Debt	(1,513)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds Payable	<u>(110,000)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>\$248,943</u>

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Special	Other	Total
	Fund	Revenue	Governmental	Governmental
			Funds	Funds
<u>REVENUES</u>				
Taxes	\$96,628	\$120,280	\$0	\$216,908
State Sources	100,004	49,738	19,319	169,061
Other Sources	36,060	675	34,416	71,151
Total Revenues	\$232,692	\$170,693	\$53,735	\$457,120
<u>EXPENDITURES</u>				
Current:				
DDA	0	49,944	0	49,944
Legislative	27,174	0	0	27,174
Executive	12,749	0	0	12,749
Election	713	0	0	713
General Administration	14,858	0	0	14,858
Law Enforcement	99,530	0	0	99,530
Building Inspector	104	0	0	104
Department of Public Works	81,499	0	35,333	116,832
Community Development	253	0	0	253
Highways, Streets and Sidewalks	19,291	83,920	52,008	155,219
Village Parks	12,564	0	0	12,564
Debt Retirement	0	0	19,720	19,720
Total Expenditures	\$268,735	\$133,864	\$107,061	\$509,660
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(\$36,043)	\$36,829	(\$53,326)	(\$52,540)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to (from) Other Funds	29,193	(87,211)	19,707	(38,311)
Net Change in Fund Balance	(\$6,850)	(\$50,382)	(\$33,619)	(\$90,851)
<u>FUND BALANCE - BEGINNING</u>	25,788	308,206	49,824	383,818
<u>FUND BALANCE - ENDING</u>	\$18,938	\$257,824	\$16,205	\$292,967

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds	(\$90,851)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(8,633)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	13,000
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Change in accrued interest on long-term liabilities	<u>(1,513)</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$87,997)</u></u>
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VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	<u>Enterprise</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$253,919
Accounts Receivable	16,990
Total Current Assets	<u>\$270,909</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets:	
Land	110,579
Sewer System	2,987,500
Water System	530,000
Less: Accumulated Depreciation	<u>(1,591,000)</u>
Total Noncurrent Assets	<u>\$2,037,079</u>
<u>TOTAL ASSETS</u>	\$2,307,988
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Due to Other Funds	\$1,264
Current Portion of Long-Term Obligations	17,212
Total Current Liabilities	<u>\$18,476</u>
<u>NON-CURRENT LIABILITIES</u>	
Non-Current Portion of Long-Term Obligations	<u>297,464</u>
<u>TOTAL LIABILITIES</u>	\$315,940
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,722,403
Designated	173,216
Unrestricted	<u>96,429</u>
<u>TOTAL NET ASSETS</u>	<u>\$1,992,048</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	<u>Enterprise</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$186,135
Tap-In Fees	7,890
Miscellaneous Income	197
Total Operating Revenues	<u>\$194,222</u>
<u>OPERATING EXPENSES</u>	
Salaries and Wages	76,813
Fringe Benefits	18,486
Retirement	3,288
Office Expense	253
Interest Expense	9,641
Agent Fees	300
Postage	945
Gas and Oil	882
Operating Supplies	3,078
Chemicals	448
Testing Fees	3,636
Equipment Maintenance	12,677
Equipment Rental	8,646
Contracted Services	12,862
Purchase of Equipment	3,071
Telephone	3,950
Insurance	8,700
Lights and Heat	7,095
Miscellaneous	213
Depreciation	61,750
Education	1,337
Total Operating Expenses	<u>\$238,071</u>
Operating (Loss)	<u>(\$43,849)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Transfers from Other Funds	38,311
Interest Revenue	1,801
Total Nonoperating Revenues (Expenses)	<u>\$40,112</u>
Change in Net Assets	<u>(\$3,737)</u>
<u>NET ASSETS - BEGINNING</u>	<u>1,995,785</u>
<u>NET ASSETS - ENDING</u>	<u>\$1,992,048</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Enterprise</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Service Users	\$184,867
Cash Received from Sewer Installations	7,890
Cash Payments for Goods and Services	(145,194)
Cash Payments to Employees	<u>(76,813)</u>
Net Cash (Used In) Operating Activities	(\$29,250)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Cash Payments on Bonds Payable	(17,212)
Cash Tranfer from Other Funds	<u>38,311</u>
Net Cash Provided By Capital and Related Financing Activities	\$21,099
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Investment in Capital Assets	(53,000)
Interest Earned on Investments	<u>1,801</u>
Net Cash (Used In) Investing Activities	<u>(\$51,199)</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	(\$59,350)
<u>BALANCES - BEGINNING OF YEAR</u>	<u>313,269</u>
<u>BALANCES - END OF YEAR</u>	<u>\$253,919</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u>	
<u>By Operating Activities</u>	
Operating (Loss)	(\$43,849)
Adjustments to Reconcile Operating (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation and Amortization	61,750
(Increase) Decrease in Assets	
Accounts Receivable	(1,466)
Increase (Decrease) in Liabilities	
Accounts Payable	(615)
Due to Other Funds	<u>(45,070)</u>
<u>NET CASH (USED IN) OPERATING ACTIVITIES</u>	<u>(\$29,250)</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

ASSETS

Cash and Cash Equivalents	<u>\$18,023</u>
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LIABILITIES

Due to Other Groups	<u>\$18,023</u>
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See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2004

<u>REVENUE</u>	
Donations and Fees	\$11,508
<u>EXPENDITURES</u>	
Purchased Services and Supplies	<u>5,527</u>
<u>CHANGE IN NET ASSETS</u>	\$5,981
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>12,042</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$18,023</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. The Village of Otisville's Village Council is the primary government which has oversight responsibility and control over all activities related to sanitation, public improvements, planning and zoning, and general administrative services within the Village. The Village receives funding from local, state and federal government sources and must comply with the accompanying requirements of these funding sources. However, the Village is not included in any other governmental "reporting entity" as defined by GASB pronouncements since the Village Council is a publicly elected governing body that has separate legal standing and is fiscally independent of other governmental entities. As such, the Village Council has decision making authority, the authority to levy taxes and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Education services are provided to citizens through the several local school districts which are separate governmental entities.

This report does include the Downtown Development Authority, of which the Village of Otisville has oversight responsibilities.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Village of Otisville conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the Village's overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the Village's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). The government-wide financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Village are grouped into the categories governmental and proprietary.

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Village. Revenues are derived primarily from property taxes and state distributions, grants and other intergovernmental revenues.

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. Major and minor street funds account for the resources of state gas and weight revenues that are restricted for use on streets.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

PROPRIETARY FUND

Enterprise Fund

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

These funds account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations and other governmental units.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The proprietary fund also uses the accrual basis of accounting.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The Village reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Village receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The Village considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$1,000 capitalization threshold and updated for additions and retirements during the year. In accordance with the provisions of GASB 34 the Village has elected to capitalize the cost of government fund infrastructure assets after the implementation date of GASB 34. Prior acquisitions or construction costs of infrastructure assets will not be recorded.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land	N/A
Buildings and Improvements	20 – 50 Years
Furniture and Equipment	5 Years
Vehicles	5 Years
System Infrastructure	50 Years

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

G) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

H) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I) BUDGETS

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Two to three months prior to the beginning of the ensuing fiscal year, the Village Council reviews a proposed operating budget which includes proposed revenues and expenditures.
- 2) Prior to the beginning of the ensuing fiscal year, the Village Council passes a general appropriations act reflecting formal budget approval in accordance with the Michigan Uniform Budget Act.
- 3) Budgets for the general and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- 4) Budgeted amounts in this report are as originally adopted or as amended by the Village Council. Amendments were not material in relation to the original appropriations which were amended.

J) COMPENSATED ABSENCES

Under agreements with the Village, individual employees have a vested right to receive payments for unused sick leave under formulas and conditions specified in the agreements. As of June 30, 2004, substantially all of these benefits had been paid and are reflected in the financial statements.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2004, the Village incurred expenditures in budgetary funds which were in excess of the amounts appropriated.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4) DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the Village are at one bank in the name of Village of Otisville. Michigan Compiled Laws (MCL), Section 129.91, authorizes a local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bond securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Undeposited Cash – At June 30, 2004, the Village had \$150 of petty cash on hand which is included as part of "cash and cash equivalents."

Deposits - The Village Council authorized the following financial institutions for the deposit of the Village's funds for the year ended June 30, 2004: Citizens Bank and Mayville State Bank.

The Village's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the Village's deposits was \$541,078 and the bank balance was \$570,371. \$203,886 of the bank balance was covered by federal depository insurance and \$366,485 was uninsured and uncollateralized.

5) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Land	\$2,000	\$0	\$0	\$2,000
Land Improvements	335,000	0	0	335,000
Buildings	52,000	0	0	52,000
Equipment	233,802	2,500	0	236,302
Totals at Historical Cost	\$622,802	\$2,500	\$0	\$625,302
Less: Accumulated Depreciation				
Land Improvements	(307,378)	(1,093)	0	(308,471)
Buildings	(20,900)	(1,040)	0	(21,940)
Equipment	(218,402)	(9,000)	0	(227,402)
Total Accumulated Depreciation	(\$546,680)	(\$11,133)	\$0	(\$557,813)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$76,122</u>	<u>(\$8,633)</u>	<u>\$0</u>	<u>\$67,489</u>

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

5) CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>BUSINESS - TYPE ACTIVITIES</u>				
Land	\$110,579	\$0	\$0	\$110,579
Sewer System	2,987,500	0	0	2,987,500
Water System	230,000	300,000	0	530,000
Less: Accumulated Depreciation	(1,529,250)	(61,750)	0	(1,591,000)
<u>BUSINESS - TYPE ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,798,829</u>	<u>\$238,250</u>	<u>\$0</u>	<u>\$2,037,079</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

	Governmental	Business - Type	TOTAL
Village Parks	\$ 1,093	\$ 0	\$ 1,093
Highways, Streets & Sidewalks	3,700	0	3,700
Department of Public Works	940	0	940
Law Enforcement	4,400	0	4,400
General	1,000	0	1,000
Sewer	0	59,750	59,750
Water	0	2,000	2,000
<u>TOTAL</u>	<u>\$ 11,133</u>	<u>\$ 61,750</u>	<u>\$ 72,883</u>

6) FUND BALANCE DESIGNATIONS

The Village Council has adopted a resolution to designated fund balances as of June 30, 2004 as follows:

<u>DESIGNATED FUND BALANCE</u>	General	Special Revenue	Enterprise
DPW Equipment Replacement	\$ 4,100	\$ 0	\$0
Police Equipment Replacement	3,115	0	0
Flower Funds	30	0	0
Sewer Replacement	0	0	173,216
Veterans Park	422	0	0
Highway Maintenance	0	17,232	0
Sidewalk Replacement	6,384	0	0
King Estate	4,839	0	0
<u>TOTAL DESIGNATED FUND BALANCE</u>	<u>\$ 18,890</u>	<u>\$ 17,232</u>	<u>\$ 173,216</u>

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

7) PROPERTY TAX

The Village levies its property taxes on July 1 and collects its own property taxes until September. The delinquent real property taxes of the Village are purchased by the County of Genesee, and delinquent personal property taxes continue to be collected by the Village and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the Village for these property taxes. These taxes have been recorded as revenue for the current year.

8) GENERAL LONG-TERM DEBT

A) MICHIGAN TRANSPORTATION FUND BONDS PAYABLE

The Village issued Michigan Transportation Fund Bonds dated May 1, 1996 in the aggregate amount of \$200,000. The bonds require annual principal payments and semi-annual interest payments at 5.5% per annum. The principal balance at June 30, 2004 was \$110,000.

B) 1998 WATER REVENUE BONDS PAYABLE

The Village issued water revenue bonds dated September 29, 1998 in the aggregate amount of \$375,000 for the purpose of defraying a portion of the cost of the water project. The bonds require annual principal payments and semi-annual interest payment at 2.50% per annum. The bonds mature October 1, 2018 and the principal balance at June 30, 2004 was \$244,676. The bonds are issued through the Michigan Department of Environmental Quality's Water Revolving Fund.

C) 1998 A WATER REVENUE BONDS PAYABLE

The Village issued water revenue bonds dated October 1, 1998 in the aggregate amount of \$95,000 for the purpose of defraying a portion of the cost of the water project. The bonds require annual principal payments and semi-annual interest payment at 4.65% per annum. The bonds mature October 1, 2017 and the principal balance at June 30, 2004 was \$70,000.

<u>JUNE 30</u>	<u>Governmental</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$14,000	\$6,050	\$17,212	\$9,371
2006	14,000	5,280	17,212	8,834
2007	15,000	4,510	17,212	8,296
2008	16,000	3,685	21,283	7,758
2009	16,000	2,805	21,283	7,119
2010-2014	35,000	2,915	106,415	25,999
2015-2019	0	0	114,059	9,706
<u>TOTAL</u>	<u>\$110,000</u>	<u>\$25,245</u>	<u>\$314,676</u>	<u>\$77,083</u>

The interest expenditures on long-term obligations for the year were \$12,666.

	BALANCE			BALANCE	AMOUNT DUE
	JULY 1, 2003	ADDITIONS	DEDUCTIONS	JUNE 30, 2004	IN ONE YEAR
<u>Governmental Activities:</u>					
Bonds Payable	\$123,000	\$0	\$13,000	\$110,000	\$14,000
<u>Business-Type Activities:</u>					
Bonds Payable	\$331,888	\$0	\$17,212	\$314,676	\$17,212

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

9) RESTATEMENT OF GOVERNMENT-WIDE NET ASSETS

For the fiscal year ended June 30, 2004, the Village implemented GASB Statement 34. As a result, capital assets, accumulated depreciation and long-term debt were recorded for the first time. Net assets were restated as of July 1, 2003 for the recording of accumulated depreciation. See July 1, 2003 balances illustrated in Note 5 and 8.

10) INTERFUND BALANCES

Interfund balances at June 30, 2004 consisted of the following:

	DUE FROM		
	GENERAL FUND	SPECIAL REVENUE	TOTAL
DUE TO			
Water Fund	\$1,264	\$0	\$1,264
General Fund	0	74,550	74,550
TOTAL	\$1,264	\$74,550	\$75,814

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

11) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

	TRANSFERS TO			
	WATER FUND	1996 DEBT	GENERAL FUND	TOTAL
TRANSFERS FROM				
Special Revenue	\$38,311	\$19,707	\$29,193	\$87,211

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (4) reimburse expenditures or payment of interfund goods and services.

12) RETIREMENT PLAN

The Village has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Municipal Employees Retirement System (MERS), which is an agent multiple-employer public employee retirement system (PERS). The pension plan provides retirement, survivor and disability benefits. Separate financial statements for the Village are prepared by MERS on an annual basis.

Basically, all Village employees are eligible to participate in the MERS. A basic plan member may retire at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 2 percent of a member's five year final average compensation. Final average compensation is the employee's average salary over the last 5 years of credited service. Benefits fully vest on reaching 10 years of service.

The Village's current year covered payroll and its total current year payroll for all employees amounted to \$188,130 and \$212,366, respectively. All required contributions to the plan are made by the employer.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

12) RETIREMENT PLAN (Continued)

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of the projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MERS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS and employers. The MERS makes separate measurements of assets and pension benefit obligation for individual municipalities. The pension benefit obligation at December 31, 2003 (latest reporting date available) for the Village, determined through an actuarial valuation performed as of that date, was \$503,089. The benefit obligation is for vested and nonvested current employees. The Village's net assets available for benefits on that date (valued at cost) were \$453,289 leaving under funding of \$49,800. The Village made contributions of \$15,875 for the fiscal year ended June 30, 2004. The investment return rate and pay increase assumption used in making the actuarial valuation were 8% and 4.5 %, respectively. The Village funding policy is to contribute annually an amount sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Village may determine to be appropriate. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligations.

Ten year historical trend information showing the MERS' progress in accumulating sufficient assets to pay benefits when due is presented in the December 31, 2003 comprehensive annual financial report. Three year historical trend information is as follows:

VALUATION DATE	NET ASSETS AVAILABLE FOR		PENSION BENEFIT OBLIGATION	PERCENT FUNDED	ASSETS IN EXCESS OF <u>PENSION BENEFIT OBLIGATION</u> AS A PERCENT OF	
	BENEFITS				AMOUNT	COVERED PAYROLL
12-31-01	\$	465,297	\$	521,827	89%	\$ (56,530) 33%
12-31-02		492,890		535,750	92%	(42,860) 21%
12-31-03		453,289		503,089	90%	(49,800) 42%

13) RISK MANAGEMENT

The Village is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The Village limits its exposure to such claims through its participation in and payments of premiums for insurance coverages. The Village management believes that this provides sufficient coverage to protect the Village from any significant adverse financial impact.

REQUIRED
SUPPLEMENTARY
INFORMATION

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Taxes	\$190,752	\$131,767	\$96,628	(\$35,139)
State Sources	100,341	100,341	100,004	(337)
Other Sources	75,831	66,316	36,060	(30,256)
Total Revenues	<u>\$366,924</u>	<u>\$298,424</u>	<u>\$232,692</u>	<u>(\$65,732)</u>
<u>EXPENDITURES</u>				
Legislative	8,300	26,513	27,174	(661)
Executive	10,769	10,744	12,749	(2,005)
Election	860	860	713	147
General Administration	19,871	19,871	14,858	5,013
Law Enforcement	106,393	106,393	99,530	6,863
Building Inspector	0	0	104	(104)
Department of Public Works	81,592	99,537	81,499	18,038
Community Development	0	0	253	(253)
Highways, Streets and Sidewalks	15,200	15,200	19,291	(4,091)
Village Parks	14,549	14,549	12,564	1,985
Total Expenditures	<u>\$257,534</u>	<u>\$293,667</u>	<u>\$268,735</u>	<u>\$24,932</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$109,390	\$4,757	(\$36,043)	(\$40,800)
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(109,390)</u>	<u>(36,217)</u>	<u>29,193</u>	<u>65,410</u>
Net Change in Fund Balance	\$0	(\$31,460)	(\$6,850)	\$24,610
<u>FUND BALANCE - BEGINNING</u>			<u>25,788</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$18,938</u>	

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Taxes	\$120,227	\$120,227	\$120,280	\$53
State Sources	43,300	43,300	49,738	6,438
Other Sources	550	550	675	125
Total Revenues	<u>\$164,077</u>	<u>\$164,077</u>	<u>\$170,693</u>	<u>\$6,616</u>
<u>EXPENDITURES</u>				
DDA	66,200	65,650	49,944	15,706
Highways, Streets and Sidewalks	87,992	92,806	83,920	8,886
Total Expenditures	<u>\$154,192</u>	<u>\$158,456</u>	<u>\$133,864</u>	<u>\$24,592</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$9,885	\$5,621	\$36,829	\$31,208
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(76,500)</u>	<u>(94,489)</u>	<u>(87,211)</u>	<u>7,278</u>
Net Change in Fund Balance	<u>(\$66,615)</u>	<u>(\$88,868)</u>	<u>(\$50,382)</u>	<u>\$38,486</u>
<u>FUND BALANCE - BEGINNING</u>			<u>308,206</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$257,824</u>	

OTHER SUPPLEMENTAL
INFORMATION

VILLAGE OF OTISVILLE, MICHIGAN
PROPRIETARY FUND
COMBINING BALANCE SHEETS
AS OF JUNE 30, 2004

	<u>ENTERPRISE FUND</u>		
		<u>WATER FUND</u>	
	<u>Sewer Fund</u>	<u>Receiving Fund</u>	<u>Operation & Maintenance Fund</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$184,131	\$0	\$58,034
Accounts Receivable	8,815	0	8,175
Land	85,579	0	25,000
Sewer System	2,987,500	0	0
Water System	0	0	530,000
Accumulated Depreciation	(1,434,000)	0	(157,000)
<u>TOTAL ASSETS</u>	<u>\$1,832,025</u>	<u>\$0</u>	<u>\$464,209</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$0	\$0	\$1,264
Bonds Payable	0	0	314,676
Total Liabilities	0	0	315,940
<u>FUND EQUITY</u>			
Retained Earnings - Reserved		0	0
Retained Earnings - Unreserved	1,832,025	0	148,269
Total Fund Equity	<u>\$1,832,025</u>	<u>\$0</u>	<u>\$148,269</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$1,832,025</u>	<u>\$0</u>	<u>\$464,209</u>

ENTERPRISE FUND				
WATER FUND				
Bond Interest & Redemption				
1998 A Revenue Bonds	1998 Revenue Bonds	Surplus Fund	TOTAL WATER FUND	TOTAL AFTER INTERFUND ELIMINATIONS
\$3,584	\$8,170	\$0	\$69,788	\$253,919
0	0	0	8,175	16,990
0	0	0	25,000	110,579
0	0	0	0	2,987,500
0	0	0	530,000	530,000
0	0	0	(157,000)	(1,591,000)
<u>\$3,584</u>	<u>\$8,170</u>	<u>\$0</u>	<u>\$475,963</u>	<u>\$2,307,988</u>
\$0	\$0	\$0	\$1,264	\$1,264
0	0	0	314,676	314,676
0	0	0	315,940	315,940
0	0	0	0	0
3,584	8,170	0	160,023	1,992,048
<u>\$3,584</u>	<u>\$8,170</u>	<u>\$0</u>	<u>\$160,023</u>	<u>\$1,992,048</u>
<u>\$3,584</u>	<u>\$8,170</u>	<u>\$0</u>	<u>\$475,963</u>	<u>\$2,307,988</u>

VILLAGE OF OTISVILLE, MICHIGAN
PROPRIETARY FUND
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2004

	ENTERPRISE FUND		
	WATER FUND		
	Sewer Fund	Receiving Fund	Operation & Maintenance Fund
<u>OPERATING REVENUES</u>			
Charges for Services	\$104,373	\$0	\$89,652
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Funds	0	0	17,212
Total Operating Revenues and Other Financing Sources	\$104,373	\$0	\$106,864
<u>OPERATING EXPENSES</u>			
Salaries and Wages	40,123	0	36,690
Fringe Benefits	11,224	0	7,262
Retirement	2,155	0	1,133
Office Expense	0	0	0
Interest Expense	0	0	0
Agent Fees	0	0	0
Postage	310	0	635
Gas and Oil	882	0	0
Operating Supplies	2,178	0	900
Chemicals	0	0	448
Testing Fees	1,525	0	2,111
Equipment Maintenance	5,866	0	6,811
Equipment Rental	6,546	0	2,100
Contracted Services	12,862	0	0
Purchase of Equipment	3,071	0	0
Telephone	2,603	0	1,347
Insurance	4,500	0	4,200
Lights and Heat	4,375	0	2,720
Miscellaneous	0	0	213
Depreciation	59,750	0	2,000
Education	519	0	818
Total Operating Expenses	\$158,489	\$0	\$69,388
Operating Income (Loss)	(\$54,116)	\$0	\$37,476
<u>NON-OPERATING REVENUES</u>			
Miscellaneous Revenue	0	0	197
Interest Revenue	1,377	0	405
Total Non-Operating Revenues	\$1,377	\$0	\$602
<u>NET INCOME (LOSS)</u>	(\$52,739)	\$0	\$38,078
<u>RETAINED EARNINGS -</u> <u>BEGINNING OF YEAR - AS RESTATED</u>	1,884,764	0	110,191
<u>RETAINED EARNINGS -</u> <u>END OF YEAR</u>	\$1,832,025	\$0	\$148,269

ENTERPRISE FUND				
WATER FUND				
Bond Interest & Redemption				
1998 A Revenue Bonds	1998 Revenue Bonds	Surplus Fund	TOTAL WATER FUND	TOTAL ENTERPRISE FUND
\$0	\$0	\$0	\$89,652	\$194,025
6,968	14,131	0	38,311	38,311
\$6,968	\$14,131	\$0	\$127,963	\$232,336
0	0	0	36,690	76,813
0	0	0	7,262	18,486
0	0	0	1,133	3,288
149	104	0	253	253
3,371	6,270	0	9,641	9,641
300	0	0	300	300
0	0	0	635	945
0	0	0	0	882
0	0	0	900	3,078
0	0	0	448	448
0	0	0	2,111	3,636
0	0	0	6,811	12,677
0	0	0	2,100	8,646
0	0	0	0	12,862
0	0	0	0	3,071
0	0	0	1,347	3,950
0	0	0	4,200	8,700
0	0	0	2,720	7,095
0	0	0	213	213
0	0	0	2,000	61,750
0	0	0	818	1,337
\$3,820	\$6,374	\$0	\$79,582	\$238,071
\$3,148	\$7,757	\$0	\$48,381	(\$5,735)
0	0	0	197	197
6	13		424	1,801
\$6	\$13	\$0	\$621	\$1,998
\$3,154	\$7,770	\$0	\$49,002	(\$3,737)
430	400	0	111,021	1,995,785
\$3,584	\$8,170	\$0	\$160,023	\$1,992,048

VILLAGE OF OTISVILLE, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004

	Special Revenue Funds	Debt Service Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$8,979	\$1,191	\$10,170
Accounts Receivable	4,295	0	4,295
Due from Other Funds	1,740	0	1,740
<u>TOTAL ASSETS</u>	<u>\$15,014</u>	<u>\$1,191</u>	<u>\$16,205</u>
<u>FUND BALANCES</u>			
Reserved	\$4,447	\$0	\$4,447
Unreserved:			
Undesignated, Reported In:			
Special Revenue Fund	10,567	0	10,567
Debt Retirement	0	1,191	1,191
<u>TOTAL FUND BALANCES</u>	<u>\$15,014</u>	<u>\$1,191</u>	<u>\$16,205</u>

VILLAGE OF OTISVILLE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds	Debt Service Fund	Total Other Governmental Funds
<u>REVENUES</u>			
State Sources	\$19,319	\$0	\$19,319
Other Sources	34,408	8	34,416
Total Revenues	<u>\$53,727</u>	<u>\$8</u>	<u>\$53,735</u>
<u>EXPENDITURES</u>			
Special Revenue	87,341	0	87,341
Debt Service			
Principal	0	13,000	13,000
Interest	0	3,025	3,025
Agent Fees	0	3,695	3,695
Total Expenditures	<u>\$87,341</u>	<u>\$19,720</u>	<u>\$107,061</u>
(Deficiency) of Revenues			
(Under) Expenditures	(\$33,614)	(\$19,712)	(\$53,326)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers to (from) Other Funds	0	19,707	19,707
Net Change in Fund Balance	<u>(\$33,614)</u>	<u>(\$5)</u>	<u>(\$33,619)</u>
<u>NET ASSETS - BEGINNING</u>	<u>48,628</u>	<u>1,196</u>	<u>49,824</u>
<u>NET ASSETS - ENDING</u>	<u>\$15,014</u>	<u>\$1,191</u>	<u>\$16,205</u>

VILLAGE OF OTISVILLE, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEETS
AS OF JUNE 30, 2004

	MAJOR FUNDS			
	Downtown Development Authority	Village Improvement Fund	Major Street	Total Major Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$47,670	\$120,342	\$13,014	\$181,026
Accounts Receivable	0	0	3,988	3,988
Due from Other Funds	0	74,550	0	74,550
<u>TOTAL ASSETS</u>	<u>\$47,670</u>	<u>\$194,892</u>	<u>\$17,002</u>	<u>\$259,564</u>
<u>LIABILITIES</u>				
Due to Other Fund	\$0	\$0	\$1,740	\$1,740
<u>FUND EQUITY</u>				
Reserved	0	0	12,785	12,785
Unreserved and Undesignated	47,670	194,892	2,477	245,039
Total Fund Equity	<u>\$47,670</u>	<u>\$194,892</u>	<u>\$15,262</u>	<u>\$257,824</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$47,670</u>	<u>\$194,892</u>	<u>\$17,002</u>	<u>\$259,564</u>

OTHER GOVERNMENTAL FUNDS

Garbage Fund	Minor Street	Total Other Governmental
\$3,501	\$5,478	\$8,979
2,817	1,478	4,295
0	1,740	1,740
<u>\$6,318</u>	<u>\$8,696</u>	<u>\$15,014</u>
\$0	\$0	\$0
0	4,447	4,447
6,318	4,249	10,567
<u>\$6,318</u>	<u>\$8,696</u>	<u>\$15,014</u>
<u>\$6,318</u>	<u>\$8,696</u>	<u>\$15,014</u>

VILLAGE OF OTISVILLE, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	MAJOR FUNDS			
	Downtown Development Authority	Village Improvement Fund	Major Street	Total Major Funds
<u>REVENUES</u>				
<u>Tax Collections</u>	\$61,478	\$58,802	\$0	\$120,280
<u>State Sources</u>	0	0	49,738	49,738
<u>Other Sources</u>				
Charges for Services	0	0	0	0
Interest	272	265	138	675
Total Other Sources	<u>\$272</u>	<u>\$265</u>	<u>\$138</u>	<u>\$675</u>
Total Revenues	<u>\$61,750</u>	<u>\$59,067</u>	<u>\$49,876</u>	<u>\$170,693</u>
<u>EXPENDITURES</u>				
<u>DDA</u>				
Salaries	5,263	0	0	5,263
Office Supplies	28	0	0	28
District Streets	15,000	0	0	15,000
Infrastructure Maintenance	4,050	0	0	4,050
Miscellaneous	20	0	0	20
Promotion	3,730	0	0	3,730
Contract Services	21,853	0	0	21,853
Total DDA	<u>\$49,944</u>	<u>\$0</u>	<u>\$0</u>	<u>\$49,944</u>
<u>Garbage Collection</u>	0	0	0	0
<u>Highways, Streets and Bridges</u>				
Salaries and Wages	0	0	17,009	17,009
Fringe Benefits	0	0	5,118	5,118
Mers Retirement	0	0	1,089	1,089
Operating Supplies	0	0	947	947
Salt, Gravel and Chemicals	0	0	9,198	9,198
Contracted Services	0	0	38,445	38,445
Building and Equipment Rental	0	0	12,114	12,114
Total Highways, Streets and Bridges	<u>\$0</u>	<u>\$0</u>	<u>\$83,920</u>	<u>\$83,920</u>
Total Expenditures	<u>\$49,944</u>	<u>\$0</u>	<u>\$83,920</u>	<u>\$133,864</u>
<u>OTHER FINANCING USES</u>				
Transfers to Other Funds	44,283	42,928	0	87,211
Total Expenditures and Other Financing Uses	<u>\$94,227</u>	<u>\$42,928</u>	<u>\$83,920</u>	<u>\$221,075</u>
<u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u> <u>AND OTHER FINANCING USES</u>	<u>(\$32,477)</u>	<u>\$16,139</u>	<u>(\$34,044)</u>	<u>(\$50,382)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$80,147</u>	<u>\$178,753</u>	<u>\$49,306</u>	<u>\$308,206</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$47,670</u>	<u>\$194,892</u>	<u>\$15,262</u>	<u>\$257,824</u>

OTHER GOVERNMENTAL FUNDS		
Garbage Fund	Minor Street	Total Other Governmental
\$0	\$0	\$0
0	19,319	19,319
34,320	0	34,320
0	88	88
<u>\$34,320</u>	<u>\$88</u>	<u>\$34,408</u>
\$34,320	\$19,407	\$53,727
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
35,333	0	35,333
0	10,941	10,941
0	1,154	1,154
0	840	840
0	28	28
0	0	0
0	38,835	38,835
0	210	210
<u>\$0</u>	<u>\$52,008</u>	<u>\$52,008</u>
\$35,333	\$52,008	\$87,341
0	0	0
<u>\$35,333</u>	<u>\$52,008</u>	<u>\$87,341</u>
<u>(\$1,013)</u>	<u>(\$32,601)</u>	<u>(\$33,614)</u>
<u>\$7,331</u>	<u>\$41,297</u>	<u>\$48,628</u>
<u>\$6,318</u>	<u>\$8,696</u>	<u>\$15,014</u>

VILLAGE OF OTISVILLE, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2004

TAX COLLECTIONS

Current Property Taxes	\$94,921
Penalties and Interest on Taxes	1,707
Total Tax Collections	<u>\$96,628</u>

STATE SOURCES

Sales and Use Tax	99,935
Liquor Tax	69
Total State Sources	<u>\$100,004</u>

OTHER SOURCES

Equipment Rental	17,508
Building Rental	8,773
Charges for Services	2,017
Interest Earned	940
Fines, Fees and Permits	4,567
Miscellaneous Revenue	2,255
Total Other Sources	<u>\$36,060</u>
Total Revenues	<u>\$232,692</u>

OTHER FINANCING SOURCES

Transfer from Other Funds	<u>29,193</u>
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TOTAL REVENUES AND OTHER FINANCING SOURCES\$261,885

VILLAGE OF OTISVILLE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

LEGISLATIVEVillage Council

Salaries and Wages	\$1,500
Contract Services	18,193
Education and Training	1,004
Insurance	4,507
Miscellaneous	1,970
Total Legislative	<u>\$27,174</u>

EXECUTIVEVillage President

Salaries and Wages	375
Education and Training	603
Miscellaneous	25
Total Village President	<u>\$1,003</u>

Village Manager

Salaries	7,595
Fringe Benefits	2,966
Retirement	496
Education and Training	689
Total Village Manager	<u>\$11,746</u>
Total Executive	<u>\$12,749</u>

ELECTIONS

Salaries and Wages	373
Office Expense	200
Advertising and Printing	140
Total Elections	<u>\$713</u>

GENERAL SERVICES ADMINISTRATIONAttorney

Professional Services	910
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Auditor

Professional Services	1,750
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Village Clerk

Salaries and Wages	5,121
Fringe Benefits	1,259
Office Expense	529
Postage	587
Contract Services	279
Education and Training	442
Total Village Clerk	<u>\$8,217</u>

VILLAGE OF OTISVILLE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

GENERAL SERVICES ADMINISTRATION (Continued)

Board of Review

Salaries and Wages	\$630
Office Expense	119
Education and Training	148
Total Board of Review	<u>\$897</u>

Village Treasurer

Salaries and Wages	1,575
Fringe Benefits	449
Office Expense	57
Postage	185
Contract Services	746
Education and Training	72
Total Village Treasurer	<u>\$3,084</u>
Total General Services Administration	<u>\$14,858</u>

LAW ENFORCEMENT

Salaries and Wages	57,946
Fringe Benefits	17,474
Retirement	4,720
Office Expense	413
Postage	37
Gas and Oil	1,946
Uniforms	106
Membership	990
Telephone	1,567
Equipment Rental	617
Education and Training	250
Automobile Maintenance	531
Insurance	12,500
Miscellaneous Expense	433
Total Law Enforcement	<u>\$99,530</u>

BUILDING INSPECTION

Building Inspections	104
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VILLAGE OF OTISVILLE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

DEPARTMENT OF PUBLIC WORKS

Salaries and Wages	\$18,183
Fringe Benefits	14,281
Retirement	2,497
Office Expense	608
Postage	504
Gas and Oil	2,627
Uniforms	3,036
Operating Supplies	3,055
Equipment Maintenance	8,061
Contracted Services	1,917
Telephone	2,766
Education and Training	200
Insurance	5,300
Utilities	5,770
Miscellaneous	436
Equipment Acquisition	12,258
Total Department of Public Works	<u>\$81,499</u>

COMMUNITY DEVELOPMENT

Community Promotions - Salaries	253
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HIGHWAYS, STREETS AND SIDEWALKS

<u>Street Lighting</u>	
Street Lights	19,291

VILLAGE PARKS

Salaries and Wages	6,292
Fringe Benefits	3,368
Retirement	502
Contracted Services	685
Insurance	575
Equipment Maintenance	500
Improvements	642
Total Village Parks	<u>\$12,564</u>

TOTAL EXPENDITURE

\$268,735

VILLAGE OF OTISVILLE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2004

MICHIGAN TRANSPORTATION BONDS

DATE OF MATURITY	PRINCIPAL REQUIREMENT	DECEMBER INTEREST REQUIREMENT	JUNE INTEREST REQUIREMENT	ANNUAL TOTAL
2004	\$14,000	\$3,025	\$3,025	\$20,050
2005	14,000	2,640	2,640	19,280
2006	15,000	2,255	2,255	19,510
2007	16,000	1,842	1,843	19,685
2008	16,000	1,403	1,402	18,805
2009	17,000	962	963	18,925
2010	18,000	495	495	18,990
<u>TOTALS</u>	<u>\$110,000</u>	<u>\$12,622</u>	<u>\$12,623</u>	<u>\$135,245</u>

1998 WATER REVENUE BOND

DATE OF MATURITY	INTEREST RATE	PRINCIPAL REQUIREMENT	OCTOBER INTEREST REQUIREMENT	APRIL INTEREST REQUIREMENT	ANNUAL TOTAL
2004	2.50%	\$12,212	\$3,058	\$3,058	\$18,328
2005	2.50%	12,212	2,906	2,906	18,024
2006	2.50%	12,212	2,753	2,753	17,718
2007	2.50%	16,283	2,600	2,600	21,483
2008	2.50%	16,283	2,397	2,397	21,077
2009	2.50%	16,283	2,193	2,193	20,669
2010	2.50%	16,283	1,990	1,990	20,263
2011	2.50%	16,283	1,786	1,786	19,855
2012	2.50%	16,283	1,583	1,583	19,449
2013	2.50%	16,283	1,379	1,379	19,041
2014	2.50%	16,283	1,176	1,176	18,635
2015	2.50%	16,283	972	972	18,227
2016	2.50%	20,354	769	769	21,892
2017	2.50%	20,354	514	514	21,382
2018	2.50%	20,785	260	260	21,305
<u>TOTALS</u>		<u>\$244,676</u>	<u>\$26,336</u>	<u>\$26,336</u>	<u>\$297,348</u>

VILLAGE OF OTISVILLE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2004

<u>1998 A WATER REVENUE BOND</u>					
DATE OF MATURITY	INTEREST RATE	PRINCIPAL REQUIREMENT	OCTOBER INTEREST REQUIREMENT	APRIL INTEREST REQUIREMENT	ANNUAL TOTAL
2004	4.65%	\$5,000	\$1,627	\$1,628	\$8,255
2005	4.65%	5,000	1,511	1,511	8,022
2006	4.65%	5,000	1,395	1,395	7,790
2007	4.65%	5,000	1,279	1,279	7,558
2008	4.65%	5,000	1,163	1,162	7,325
2009	4.65%	5,000	1,046	1,046	7,092
2010	4.65%	5,000	930	930	6,860
2011	4.65%	5,000	814	814	6,628
2012	4.65%	5,000	697	698	6,395
2013	4.65%	5,000	581	581	6,162
2014	4.65%	5,000	465	465	5,930
2015	4.65%	5,000	349	348	5,697
2016	4.65%	5,000	233	232	5,465
2017	4.65%	5,000	116	116	5,232
<u>TOTALS</u>		<u>\$70,000</u>	<u>\$12,206</u>	<u>\$12,205</u>	<u>\$94,411</u>



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

September 2, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Village Council
Village of Otisville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2004, which collectively comprise the Village of Otisville's basic financial statements and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Otisville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Otisville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the finance committee, management and federal awarding agencies and pass-through entities and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf PC
LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

September 2, 2004

To the Council Members of
the Village of Otisville

In planning and performing our audit of the financial statements of the Village of Otisville for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Village of Otisville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Listed below are the reportable conditions and item of comment and recommendation, none of which is a material weakness:

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2004, the Village of Otisville incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

2. Segregation of Duties

Due to the limited size of the Village of Otisville's accounting staff, ideal segregation of responsibilities for internal control purposes is impractical. An effective system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. We recognize that the Village of Otisville probably was not large enough to make the employment of additional persons, for the purpose of separating duties, practicable from a financial standpoint; but we are required, under our professional responsibilities, to call this situation to your attention.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of the Village of Otisville's management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS